

December 1997

# ENVIRONMENTAL COMPLIANCE

## Reporting on DOD Military Construction and Repair Projects Can Be Improved



### DISTRIBUTION STATEMENT A

Approved for public release;  
Distribution Unlimited

19980113 107

[DTIC QUALITY INSPECTED 3]

---

National Security and  
International Affairs Division

B-277673

December 8, 1997

The Honorable Conrad Burns  
Chairman  
The Honorable Patty Murray  
Ranking Minority Member  
Subcommittee on Military Construction  
Committee on Appropriations  
United States Senate

The Honorable James M. Inhofe  
Chairman  
The Honorable Charles S. Robb  
Ranking Minority Member  
Subcommittee on Readiness  
Committee on Armed Services  
United States Senate

The Department of Defense (DOD) budgeted over \$700 million for environmental compliance construction and repair projects to comply with environmental laws during fiscal years 1996-97. Of the total, \$274 million was funded by military construction appropriations and most of the remainder by operation and maintenance appropriations. The Senate Report on the 1997 Military Construction Appropriation Act (Report 104-287, June 20, 1996) required us to review and make recommendations on DOD's processes for programming environmental compliance construction projects and estimating future funding requirements and costs. As agreed with your offices, this report addresses environmental compliance projects funded as construction or repair and (1) identifies DOD's criteria for determining which appropriation account is used for programming funds, (2) describes the process for programming funds, and (3) discusses reporting on future funding requirements.

---

## Background

DOD undertakes environmental compliance construction and repair projects to meet the requirements of environmental laws and regulations that protect water, air, and ground quality. Environmental compliance projects include constructing and repairing facilities such as wastewater treatment plants, underground storage tanks, and sanitary landfills. Military installations use defense programming guidance and applicable

---

laws and regulations to determine initially whether a project is construction or repair and to identify the appropriate funding source.<sup>1</sup>

The activities that make up the programming process include identifying operations, equipment, and facilities that are or will be out of compliance; verifying environmental compliance requirements; prioritizing requirements; and budgeting funds. As part of the programming process, DOD installations are responsible for identifying, classifying, and prioritizing projects and submitting budget requests to higher commands for verification and approval. Environmental compliance construction and repair projects compete with other projects for funding within the applicable accounts.

Of the fiscal year 1998 estimate of \$266.4 million for environmental compliance construction and repair projects, DOD estimates that \$162.8 million would be funded from defense components' operation and maintenance accounts, and that \$103.6 million would be funded from military construction appropriations.<sup>2</sup> DOD's Environmental Quality Annual Report to Congress is a principal source of information about the proposed expenditures for compliance construction and repair projects.<sup>3</sup> The report is to include status in carrying out environmental compliance activities at defense installations and provide information on such things as current and projected funding levels to comply with applicable environmental laws.

We have previously reported on environmental compliance. We concluded that DOD could not adequately determine its environmental compliance construction needs and project priorities, and that reporting of compliance activities could be improved.<sup>4</sup> We recommended that DOD develop

---

<sup>1</sup>DOD's directive on the planning, programming, and budgeting system (DOD Directive 7045.14) states that, in the programming phase, defense components are to develop proposed programs that reflect objectives to be achieved, methods for accomplishing them, and effective allocation of resources.

<sup>2</sup>Funds for environmental compliance construction account for \$103.6 million of the overall \$9.2 billion fiscal year 1998 military construction estimate. The \$103.6 million for environmental construction does not include funds for base realignment and closure activities.

<sup>3</sup>According to DOD, this annual report to Congress on environmental compliance activities was developed in response to the provisions of 10 U.S.C. 2706(b) and Executive Order 12856, Federal Compliance with Right-to-Know Laws and Pollution Prevention Requirements. DOD environmental budget exhibits provide additional information about proposed expenditures for compliance construction projects.

<sup>4</sup>Environmental Compliance: Guidance Needed in Programming Defense Construction Projects (GAO/NSIAD-94-22, Nov. 26, 1993); Environmental Protection: Status of Defense Initiatives for Cleanup, Technology, and Compliance (GAO/NSIAD-97-128, May 29, 1997); and Environmental Compliance: Continued Need for Guidance in Programming Defense Construction Projects (GAO/NSIAD-96-124, June 21, 1996).

---

guidance to assist the defense components in consistently classifying projects. Although DOD disagreed with our recommendation, it took action to improve compliance reports. It subsequently made some minor modifications to its classification system and issued other guidance. Our current review focuses on DOD actions since those reports.

---

## Results in Brief

The basis for determining which funding source should be used for funding environmental compliance construction and repair projects is set forth in laws and regulations. The law requires military construction appropriations to be used for all construction projects costing over \$500,000.<sup>5</sup> The law defines construction as the creation of complete and usable new facilities or complete and usable improvements to existing facilities on military installations. In general, operation and maintenance appropriations are available to fund construction projects costing less than \$500,000 and repairs of any value. Other appropriations such as research, development, test, and evaluation, may also be used in appropriate circumstances.

The programming process for environmental compliance construction or repair activities varies according to the project funding source. Under the process, the level of project justification detail that DOD provides to Congress is greater for military construction projects than for projects funded under other appropriations. In general, any military construction project, including environmental compliance projects, is programmed, reviewed, budgeted, and funded individually. Projects to be funded from operation and maintenance appropriations are rolled up into a single amount for budgeting and funding purposes. The law permits some smaller value military construction projects to be carried out as unspecified minor construction. These are budgeted as a single amount.

Since our prior reports, DOD has made some improvements to its annual compliance reporting by identifying specific projects that will cost over \$300,000. Also, it has improved the detailed budget information provided to Congress by identifying recurring and nonrecurring compliance costs by appropriation. However, information provided to Congress in this report does not identify proposed construction and repair projects costing over \$300,000 and their funding sources.

---

<sup>5</sup>The requirements for military construction are set out in the Military Construction Codification Act (10 U.S.C. 2801-2813).

## Justification for Funding

The requirements for military construction are set out in the Military Construction Codification Act (10 U.S.C. 2801-2813). The act defines military construction as projects that result in the creation of complete and usable new facilities or complete and usable improvements to existing facilities on military installations. Military construction projects must be specifically authorized by law. Specific authorization means that each project is requested and justified individually to the authorization and appropriation committees. When approved, the amounts authorized for various locations are listed in the authorization act, and each project is identified by name, location, and amount in the committee reports on the military construction appropriations act.

The statute requires military construction projects costing over \$500,000 to be funded by the 5-year military construction appropriation. Projects costing less than \$500,000 may be funded from other appropriations, such as operation and maintenance.<sup>6</sup> The statute also allows construction costing less than \$1.5 million to be carried out as unspecified minor construction, which is funded as a single amount rather than by individual project. Of the total \$9.2 billion fiscal year 1998 budget proposal, DOD plans to spend \$26.1 million for unspecified minor construction. According to officials in the Office of the Under Secretary of Defense (Comptroller), DOD uses this authority only to execute projects that are not identified early enough to have been specifically authorized. The dollar ceiling for unspecified minor construction can go up to \$3 million if the project is needed to correct deficiencies that threaten life, health, or safety.

Environmental compliance projects also include facility repairs, which, according to DOD, are to be done to maintain real property facilities, systems, and components, or restore them to a usable condition.<sup>7</sup> Repairs of any value may be properly funded from 1-year operation and maintenance appropriations, but in the past some repairs have been specifically authorized by law to be funded from military construction appropriations. The law requires that operation and maintenance funded repairs over \$5 million be authorized in advance by the Secretary concerned. The National Defense Authorization Act for Fiscal Year 1998 will also require DOD to notify Congress when repair projects costing over \$10 million are to be conducted. Table 1 shows appropriations that are

---

<sup>6</sup>In addition, contractors that operate government-owned facilities use procurement funds for environmental compliance construction and repair projects costing less than \$500,000. Research, development, test, and evaluation funds may also be used for construction costing less than \$500,000 for environmental compliance projects required in connection with research activities.

<sup>7</sup>These criteria are stated in a July 2, 1997, memorandum defining repair and maintenance projects by the DOD Deputy Comptroller for Program and Budget.

used to fund construction and repairs, including environmental compliance projects.

**Table 1: Appropriations by Project Type Used to Fund Military Construction and Repair Projects**

<b>Appropriation</b>	<b>Project Type</b>		
	<b>Construction greater than \$500,000</b>	<b>Construction less than \$500,000</b>	<b>Repairs of any value</b>
Military construction	x <sup>a,b</sup>	x	
Operation and maintenance	b	x	x <sup>c</sup>
Research, development, test, and evaluation	d	x <sup>e</sup>	
Procurement	d	x <sup>f</sup>	
Family housing	x	x	x
Working capital fund	x <sup>g</sup>	x <sup>g</sup>	

<sup>a</sup>Military construction projects costing more than \$500,000 must be funded with military construction appropriations. Also, any construction costing less than \$1.5 million can be carried out as unspecified minor construction.

<sup>b</sup>Projects needed to correct deficiencies that threaten life, health, or safety may be funded in alternative ways. Projects costing up to \$3 million may be funded as unspecified minor construction in a single amount by service, rather than by individual project. Alternatively, projects costing up to \$1 million may be funded with operation and maintenance appropriations.

<sup>c</sup>Repairs over \$5 million must be authorized in advance by the service secretary concerned.

<sup>d</sup>Efforts to execute construction costing more than \$500,000 with research, development, test, and evaluation or procurement funds normally require congressional notification.

<sup>e</sup>Research, development, test, and evaluation appropriations may be used to fund projects costing less than \$500,000 at government-owned installations that support research efforts, and to fund construction that supports unique research-related items at facilities that are contractor operated and maintained.

<sup>f</sup>Procurement appropriations may be used to fund projects at government-owned, contractor-operated facilities when located on a military installation, on government land other than a military installation, or at an ammunition plant.

<sup>g</sup>The working capital fund may be used for construction in support of environmental compliance at arsenals, plants, and depots.

## Programming Process Varies Depending on Project Funding

The programming process for any construction or repair project varies according to the project funding source. Environmental compliance projects are funded from the military construction or operation and maintenance appropriations, depending on the project's character (construction or repair) and cost. Military installations use defense programming guidance and applicable laws and regulations, to initially

---

determine whether a project is construction or repair and identify the appropriate funding source.

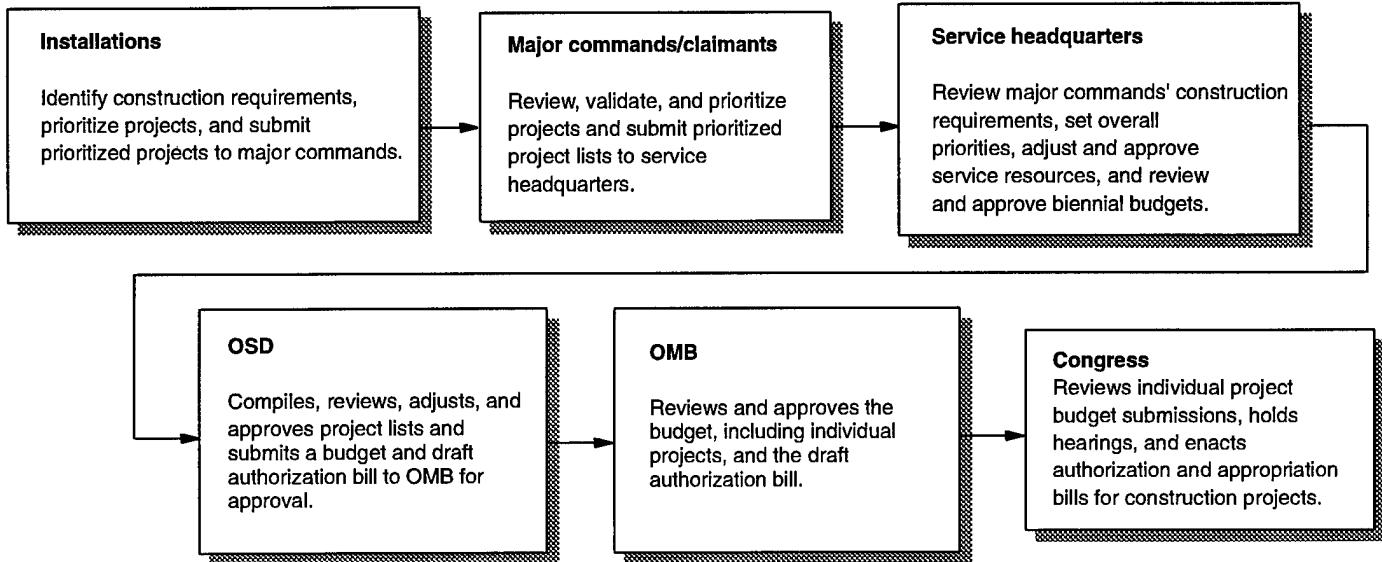
---

**Projects Funded Under the Military Construction Appropriation Require Detailed Justifications**

The process for identifying construction needs and obtaining military construction funds through project completion requires about 5 years. Because the law requires military construction projects to be specifically authorized, the services and DOD review each compliance construction project to be funded with 5-year military construction appropriations and request individual project funding approval from Congress.

Using defense programming guidance and applicable laws and regulations, the services' headquarters offices are to review all proposed military construction projects through a dual-track process to confirm requirements and assess technical feasibility. The offices review the regulatory requirements to confirm their environmental purpose. At the same time, support agencies with engineering expertise, such as the Air Force Civil Engineer Support Agency, the Army Corps of Engineers, and the Naval Facility Engineering Command review the technical aspects of proposed projects to determine their feasibility. After the requirements and technical reviews have been completed, the services prioritize the proposed projects to determine which ones will be contained in the budget request.

After the services have completed their review and prioritization processes, they submit their compliance construction budgets to the Office of the Deputy Under Secretary of Defense (Comptroller) for review. This office, in conjunction with other Office of the Secretary of Defense (OSD) offices such as the Office of the Under Secretary of Defense for Environmental Security, reviews proposed construction projects to confirm and adjust requirements as necessary. The Comptroller issues program budget decisions to the services, transmitting the Deputy Defense Secretary's decision on each project. Once OSD has approved the projects, it submits a listing of approved projects to the Office of Management and Budget (OMB), which approves and submits the final construction project budgets, including compliance projects, to Congress as part of DOD's overall budget request. Figure 1 illustrates the military construction project approval and funding process, which each military service and defense agency conducts separately.

**Figure 1: DOD Process for Programming and Funding Environmental Compliance Military Construction Projects**

Note: Major commands include organizations such as the Army Training and Doctrine Command, Air Force Air Combat Command, and Naval Air Systems Command. Navy claimants include organizations such as the Naval Air Warfare Center. Major commands, claimants, service headquarters, and OSD eliminate projects and adjust funding levels at the project level.

Source: Our analysis of service and DOD data.

For fiscal year 1998, DOD requested \$103.6 million for the construction of 24 environmental compliance projects to be funded with military construction appropriations. The Air Force requested funding for 18 projects with military construction appropriations, whereas the Army and the Navy requested funding for 2 and 3 environmental compliance projects, respectively. The Defense Logistics Agency (DLA) requested funding for four similar projects to be constructed at four separate locations under one common authorization.

Table 2 shows the environmental compliance construction projects that DOD requested for fiscal year 1998. Five of the 24 projects are wastewater treatment/disposal facilities and sewer systems, 4 are corrosion control projects, and 2 are vehicle wash facility projects. The remaining projects include tank trail erosion mitigation, oily waste treatment, and small arms range remediation.

**Table 2: DOD's Fiscal Year 1998 Budget Request for Environmental Compliance Military Construction Projects**

Dollars in thousands

<b>Project</b>	<b>Component</b>	<b>Base</b>	<b>Cost</b>
Central vehicle wash facility	Army	Fort A.P. Hill, VA	\$5,400
Tank trail erosion mitigation	Army	Fort Lewis, WA	2,000
Emergency spill control	Navy	Camp Pendleton, CA	2,800
Oily waste collection system	Navy	Portsmouth Naval Shipyard, VA	9,500
Oily waste collection treatment system	Navy	Pearl Harbor Naval Station, HI	25,000
Water treatment plant	Air Force	Lajes Field, Portugal	4,800
Remediate small arms range	Air Force	MacDill Air Force Base, FL	1,500
Wastewater disposal system	Air Force	Aviano Air Base, Italy	7,900
Wastewater treatment facilities	Air Force	Arnold Engineering Development Center, TN	10,800
Upgrade wastewater treatment plant	Air Force	Edwards Air Force Base, CA	1,500
Add/alter sewer liner	Air Force	Edwards Air Force Base, CA	1,400
Corrosion control facility	Air Force	Minneapolis/St Paul International Airport, MN <sup>a</sup>	1,600
Fire training facility	Air Force	Westover Air Force Base, MA	1,800
Alter fuel cell/corrosion control facility	Air Force	Charlotte Municipal Airport, NC <sup>a</sup>	2,500
Regional firemen training facility	Air Force	Gulfport International Airport, MS <sup>a</sup>	900
Vehicle refueling shop and paint bay	Air Force	Klamath Falls International Airport, OR <sup>a</sup>	500
Add/alter fuel cell and corrosion	Air Force	McEntire, SC	1,500
Vehicle wash facility	Air Force	Minneapolis/St. Paul International Airport, MN <sup>a</sup>	400
Add/alter corrosion control facility	Air Force	Quonset State Airport, RI <sup>a</sup>	300
Add/alter vehicle washing and corrosion control facility	Air Force	Salt Lake City International Airport, UT <sup>a</sup>	500
Fuel cell and corrosion control facility	Air Force	Schenectady Air National Guard, NY	5,700
Upgrade petroleum oil lubricant system	Air Force	Indian Mountain, AK	2,000
Fire training facility	Air Force	Kunsan Air Base, Korea	2,000
Conforming storage (for hazardous materials) <sup>b</sup>	DLA	c	11,300
<b>Total</b>			<b>\$103,600</b>

Source: Office of the Deputy Under Secretary of Defense for Environmental Security.

<sup>a</sup>Air Force Reserve and/or Air National Guard locations.<sup>b</sup>Conforming storage facilities are built to conform to legal standards for the storage of certain hazardous materials.<sup>c</sup>The conforming storage project at DLA involves construction at the following locations: Anchorage, Alaska (\$5 million); Cherry Point, North Carolina (\$2.1 million); Camp LeJeune, North Carolina (\$1.3 million); and Oklahoma City, Oklahoma (\$2.9 million).

The military construction budget requests for environmental compliance construction projects do not directly compete with operation and maintenance budget requests. However, service officials told us that the increased competition for military construction funds in recent years and reduced military construction budgets, have made it more difficult to fund all the projects they would wish to. As a result, there is considerable uncertainty whether a project will be approved. The availability of military construction funds has decreased over the years, with a slight increase in the fiscal year 1998 request. Table 3 shows the environmental compliance portion of the military construction budget for the defense components' environmental compliance requirements for fiscal years 1996-98.

**Table 3: Defense Components' Fiscal Year 1996-98 Military Construction Budgets for Environmental Compliance**

<b>Dollars in thousands</b>			
<b>Defense components</b>	<b>Fiscal year 1996 budget</b>	<b>Fiscal year 1997 budget</b>	<b>Fiscal year 1998 budget request</b>
Army	\$21,200	\$2,000	\$7,400
Navy	115,320	33,910	37,304
Air Force	92,776	53,291	47,566
DLA	0	0	11,275
<b>Total</b>	<b>\$229,296</b>	<b>\$89,201</b>	<b>\$103,581</b>

### Projects Funded Under Operation and Maintenance Appropriations

Service installation commanders have discretionary approval authority to budget and obligate operation and maintenance funds. Thus, the review and approval process for construction and repair projects funded with operation and maintenance appropriations is often much faster than the comparable 5-year military construction approval process. Projects funded with the operation and maintenance appropriation can generally be approved and funded in 1 to 2 years because many of the projects can be approved at the installation or command level. Projects are individually reviewed and approved by major commands without being subject to the detailed headquarters review required for construction projects funded with the military construction appropriations. However, projects costing over \$500,000 must be separately identified in budget exhibits and are subject to OMB review.<sup>8</sup>

<sup>8</sup>In commenting on a draft of this report, DOD stated that volume 2 of the Financial Management Regulation, chapter 8, requires projects costing over \$500,000, funded with operation and maintenance appropriations, to be identified in Budget Exhibit OP27P. This exhibit, which is included with the President's Budget Submission, is required for all real property maintenance projects, including environmental compliance projects.

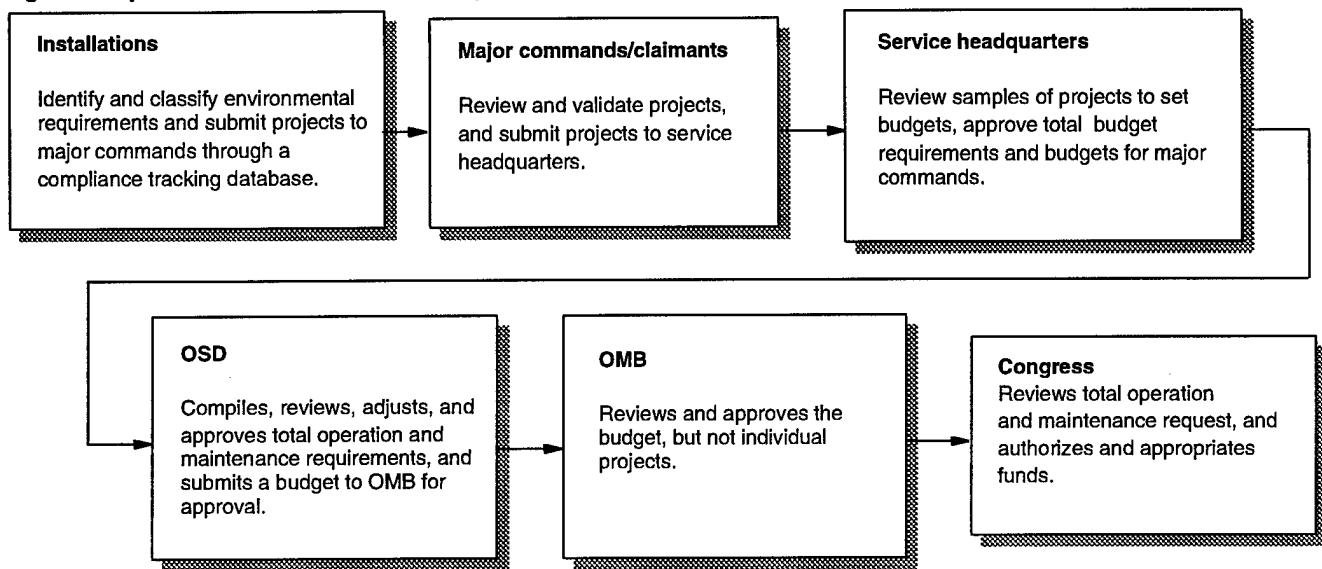
---

Service headquarters offices review only selected samples of projects to confirm requirements. OSD reviews total requests to confirm and adjust overall requirements within a specified funding range.<sup>9</sup> Congress reviews and approves environmental compliance operation and maintenance funding as part of its overall process for reviewing and approving the defense components' operation and maintenance request. Figure 2 illustrates the operation and maintenance review and approval process. In that context, the only information that is reviewed above the major command level is the (1) total dollar amount each component is requesting for environmental compliance projects to be funded from the operation and maintenance appropriation and (2) Environmental Quality Annual Report to Congress list of projects over \$300,000.

According to OSD and service officials, budgeting to fund projects from operation and maintenance appropriations does not guarantee that projects will be accomplished even if the request is approved and funds are appropriated. This is because installation commanders have the authority to use operation and maintenance funds to meet their day-to-day requirements. Consequently, this is one reason that, in the past, military construction funds were requested for large repair projects.

---

<sup>9</sup>Although budget requests are not reviewed in detail, OSD and service officials told us that they monitor obligation of operation and maintenance funds closely to ensure that funds requested for environmental compliance projects are used for those purposes.

**Figure 2: Operation and Maintenance Programming and Funding Process**

Source: Our analysis of DOD data.

Requirements data are submitted and tracked through a separate compliance tracking system used to prepare information for the Environmental Protection Agency (EPA), which is responsible for monitoring federal environmental protection programs, including compliance. In commenting on a draft of this report, DOD noted that the requirements data tracking system is not the DOD budget system through which funding decisions are made. Program funding is tracked separately, and budgets are submitted through the Office of the Comptroller. Major commands, claimants, service headquarters, and OSD adjust requirements within available funds.

Construction projects costing less than \$500,000, or repairs of any value, may be funded with operation and maintenance appropriations. For purposes of developing budget requests, the project estimates are totaled and shown as a single amount in the operation and maintenance request.<sup>10</sup> Major commands may delegate approval authority to installation

<sup>10</sup>Operation and maintenance funding also may be used for construction projects costing up to \$1 million if the project is to correct a deficiency that threatens life, health, or safety.

commanders to use operation and maintenance funds for environmental compliance construction and repair projects. However, requests for repair projects estimated to cost more than \$5 million must be individually approved in advance by the service secretary or, in the case of defense agencies, the Secretary of Defense. Section 2802 of the National Defense Authorization Act for fiscal year 1998 will require DOD to notify Congress of repair projects costing over \$10 million.<sup>11</sup>

Table 4 shows estimates of the services' operation and maintenance budgets for construction and repair projects for fiscal years 1996-98.

**Table 4: Services' Fiscal Year 1996-98 Operation and Maintenance Budgets for Environmental Compliance Construction and Repair**

<b>Service</b>	<b>Dollars in thousands</b>		
	<b>Fiscal year 1996 budget</b>	<b>Fiscal year 1997 budget</b>	<b>Fiscal year 1998 request</b>
Army	\$81,778	\$71,760	\$45,764
Navy	134,101	94,329	59,763
Air Force	26,575	24,955	57,290
<b>Total</b>	<b>\$242,454</b>	<b>\$191,044</b>	<b>\$162,817</b>

Note: Most of DLA's construction and repair projects are funded with military construction funds or its working capital fund.

Source: Defense components.

The largest single project category among the services, according to funds requested and budget justification material, is for sewer and wastewater treatment projects. For fiscal years 1996 and 1997, on average, the Air Force and the Navy planned to spend about 40 percent of their operation and maintenance environmental compliance construction-related funds for sewer and wastewater projects. The remaining funds were to be spent on storage tank removal, repair and remediation, and on air quality and other projects. The Army planned to spend about 18 percent of its requested funds on sewer and wastewater treatment projects, with most of its planned expenditures for storage tank removal, repair and remediation. The remaining funds were to be spent on air quality and other projects.<sup>12</sup>

Officials from the Office of the Under Deputy Secretary of Defense (Comptroller) recently advised us that, beginning with the fiscal year 1999 budget, all projects meeting the definition for repair will be funded from operation and maintenance appropriations. In the past, the defense

<sup>11</sup>P.L. 105-85, section 2802.

<sup>12</sup>We did not confirm whether the funds were spent for their intended purpose.

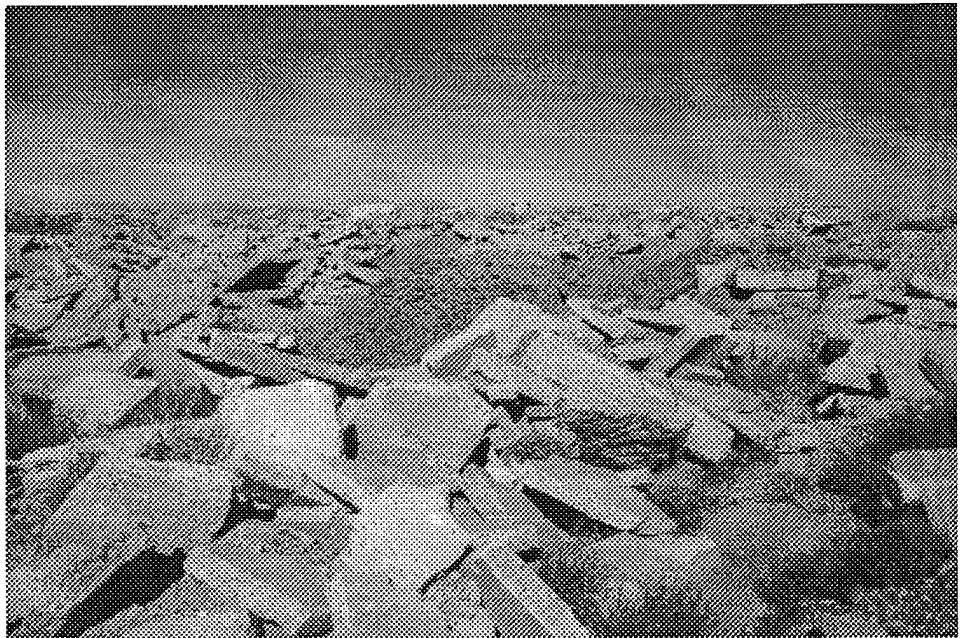
---

components sometimes requested specific authorization of military construction appropriation funds for major repair projects such as landfill closures and wastewater treatment facility upgrades. For example, for fiscal year 1996, the Air Force requested and received specific authorization for \$7.5 million in military construction funding for landfill closure projects at Beale Air Force Base, California. The Air Force plans to spend \$5.6 million in fiscal year 1998 operation and maintenance funds for a landfill closure project at Holloman Air Force Base, New Mexico.

Figure 3 shows the landfill repair at Holloman Air Force Base.

---

**Figure 3: Fiscal Year 1997 Environmental Compliance Landfill Repair Project at Holloman Air Force Base, New Mexico**



Note: Construction debris is on top of the landfill.

---

## Reporting of Future Requirements Estimates

While DOD has made some improvements to its annual compliance reporting in its annual report and supporting budget documents, the information provided is still insufficient for oversight purposes. Recent congressional committee reports have raised specific areas of concern related to (1) expenditures for environmental compliance activities, the

---

standardization of such data, and the tracking of funding and (2) DOD's definitions of compliance classes.

---

**DOD Initiatives to Improve Compliance Reporting**

Our May 1997 report on cleanup, technology, and compliance addressed DOD initiatives to improve compliance reporting and provide Congress with more informative data. In 1995, DOD began an effort to achieve consistency in compliance definitions, categories, and requirements. It planned to identify goals, strategies, budget items, and measures of performance for compliance and other environmental areas. Accordingly, for the fiscal year 1998 budget planning process, DOD's Office of the Under Secretary of Defense for Environmental Security established new policies and goals for classifying compliance projects and obtaining needed compliance data. For the fiscal year 1999 budget planning process, DOD officials added explanatory footnotes to programming preparation instructions. DOD also included, as part of its fiscal year 1998 budget submission, additional information by appropriation on recurring and nonrecurring costs for the environmental quality areas of compliance, pollution prevention, and conservation. Actual costs, obligations, and future year estimates are included as part of this backup budget documentation.

In its fiscal year 1995 Environmental Quality Annual Report to Congress, DOD started including estimates of individual future compliance projects. For projects estimated to cost over \$300,000, DOD provided cost data on planned compliance projects for defense component installations. However, the report did not identify the funding source of these activities or clearly indicate whether the project was for construction or repair. Although officials indicated their intent to include more detail in future reports, officials from the Office of the Deputy Under Secretary of Defense for Environmental Security believed, as of May 1997, that they could not include project detail on funding and environmental area such as compliance or pollution prevention, because they believed the services' data were not consistent and could not be standardized. Since that time, officials stated that the data has improved and that they are working toward reporting project funding sources and environmental area for all defense components except the Navy, which had not provided DOD with the environmental information it needs.

---

**Additional Compliance Data Available for Reporting**

The House National Security Committee report on the Defense Authorization Act for Fiscal Year 1998 (Report 105-132, June 16, 1997) stated concerns about expenditures for environmental compliance

---

activities and directed DOD to develop standardized data on such things as contracts, projects, and installations to permit the tracking of compliance funding from budget request to expenditure.

The defense components are already collecting data on some of the information discussed in the House report. Although these data do not include expenditures, they include other useful information, such as funding source, classification priority, and estimated cost.<sup>13</sup> Since 1978, heads of federal agencies have been responsible for reporting on the status of their efforts to prevent, control, and abate environmental pollution at their facilities.<sup>14</sup> The agencies report on these efforts to OMB through EPA.

DOD has required the services to provide standardized data for reporting to EPA, and EPA has stated that it has provided formats for consistent reporting to DOD and the services. In most cases, data already available from service installations could be extracted from the information required for EPA reporting and incorporated into DOD's annual environmental quality report. Table 5 illustrates that some of the needed data have already been gathered by DOD and the services for EPA reporting. However, these projects may not be included in the fiscal year 1997 President's budget.

---

<sup>13</sup>Except for military construction-funded projects, DOD does not track individual project expenditures.

<sup>14</sup>Executive Order 12088, October 1978.

**Table 5: Examples of Fiscal Year 1997 Service Data Prepared for EPA**

Dollars in thousands

<b>Service</b>	<b>Appropriation</b>	<b>Project</b>	<b>Law or regulation</b>	<b>Priority</b>	<b>Estimated cost</b>
Air Force	O&M	Removal/replacement of tanks	RCRA	2	\$2,000
Army	RDT&E	Removal/replacement of tanks	RCRA	2	400
Navy	DBOF	Removal/replacement of tanks	a	a	750
Air Force	MILCON	Removal/replacement of tanks	RCRA	2	3,940
Air Force	MILCON	Closure construction of landfill	RCRA	1	6,735
Air Force	O&M	Closure/cleanup landfill	RCRA	1	350
Army	O&M	Soil erosion program	NATR	3	600

Note: O&M, operation and maintenance; RCRA, Resource Conservation and Recovery Act; RDT&E, research, development, test, and evaluation; DBOF, Defense Business Operating Fund (now the Working Capital Fund); MILCON, military construction; NATR, Natural Resources Laws.

<sup>a</sup>Data were not provided.

Source: Service data prepared for EPA.

EPA established a system for reporting compliance classes to assist federal agencies in establishing the relative importance of their projects and activities. We also reported in May 1997 that DOD had expanded the number of projects that qualify for funding under compliance class I without distinguishing among different project types. Although EPA explicitly limits class I to facilities currently out of compliance, as documented by notices of violation or consent agreements, DOD's definition added projects to address requirements in facilities that will not yet be out of compliance for 2 or more years. DOD's descriptions also indicated that items that EPA includes in class III (such as inventories, surveys, studies, and assessments) could also be routinely funded as class I projects.

We recommended that DOD reconsider changes in compliance class definitions so that the data permit better oversight and are more consistent with governmentwide reporting to EPA. DOD made minor adjustments to its classification system by expanding its class I standard to include components that will be out of compliance if funds are not provided during the year requested, but the changes are not sufficient to address our concerns. There is still potential for overlap when defining the different project types. For example, under EPA's definition, a class I project is currently out of compliance. Under DOD's definition, a project

---

could be classified as class I even if it is not out of compliance for 2 or more years.

In commenting on a draft of this report, DOD noted that it may need to make future minor adjustments to its class I and II definitions, but that major changes are currently unnecessary. If such adjustments are similar to those made previously, the changes will not be sufficient to address our concerns. DOD stated that it believes the EPA classification system, upon which DOD's class definitions are based, is not sufficient to support budget development or long-range financial planning. As we have stated in our previously cited June 1996 and May 1997 reports, the focus of our concern is on DOD's ability to prioritize its requirements in a meaningful way. We reported that classification categories could dilute the highest priority category by increasing the number of highest priority projects, and thus significantly reduce management oversight, and that we have been monitoring DOD's implementation of revised definitions for multiple requesters.

The Senate Armed Services Committee report on the Defense Authorization Act for Fiscal Year 1998 (Report 105-29, June 17, 1997) stated concerns regarding DOD's definitions of environmental compliance classes. The report noted that DOD's class I and class II definitions overlap and may lead to confusion regarding funding priorities. The Committee directed DOD to clarify the class I and II definitions and to eliminate the overlap. We also reported that data, such as those called for by the Senate report are available because the services still distinguish between compliance classes I, II, and III.

---

## Conclusions and Recommendation

DOD's criteria for determining which appropriation account should be used to fund construction and repair projects is set forth in laws and regulations. The law requires military construction appropriations to be used for all military construction projects costing over \$500,000. Operation and maintenance appropriations are available to fund construction projects costing less than \$500,000 and repairs of any value. The process for programming funds for environmental compliance construction or repair activities varies according to the project funding source. Under the process, the level of project justification detail that DOD provides to Congress is greater for military construction projects than for projects funded under other appropriations. Military installations use defense programming guidance and applicable laws and regulations, to initially

---

determine whether a project is construction or repair and identify the appropriate funding source.

DOD has taken some actions on our previous recommendations to provide better oversight of environmental compliance construction and repair projects by modifying its classification system and providing additional summary data in budget support documents. However, both the House and Senate reports of the fiscal year 1998 authorizing committees expressed concerns about DOD environmental compliance data and directed DOD action. Since the Senate Armed Services Committee has directed DOD to clarify compliance class definitions, we are not making recommendations regarding compliance classes at this time. However, we will continue to monitor DOD's actions in this area.

Although DOD disagreed with our prior recommendation to provide better guidance for reporting costs in its annual report to Congress, it has made minor improvements to guidance and taken initial steps to improve reporting by obtaining data on compliance projects over \$300,000. However, we believe reporting could be further improved by identifying projects as construction or repair and indicating the funding sources for them. Thus, to improve the specificity of its reporting, we recommend that the Secretary of Defense direct the Deputy Under Secretary of Defense for Environmental Security to revise the DOD annual report to Congress to (1) identify all proposed construction and repair projects over \$300,000 for all services and (2) include the funding sources for them.

---

## Agency Comments and Our Evaluation

DOD provided written comments on a draft of this report. DOD agreed with our recommendation. It stated that its fiscal year 1996 annual report to Congress will identify appropriation, environmental pillar (such as compliance or pollution prevention), legal requirement, and environmental class for each project estimated to cost over \$300,000. DOD officials expect this report to be published in December 1997.

DOD also provided technical comments, which we have incorporated where appropriate. DOD's comments are reprinted in their entirety in appendix II, along with our comment on a specific point.

---

## Scope and Methodology

To obtain information on DOD's criteria for determining which appropriation account is used for programming funds, we obtained, reviewed, and analyzed applicable laws and regulations and held

---

discussions with officials from the Office of the Comptroller, Office of the Under Secretary of Defense for Environmental Security, and in headquarters and field offices of the Army, the Navy, the Air Force, the Marine Corps, and DLA.

To obtain information on DOD's and the military services' processes for programming funds, we reviewed pertinent laws, regulations, policy statements, and other documents. However, we did not assess the extent to which projects complied with applicable laws and regulations. We obtained additional information on the processes through discussions with OSD and service officials. We used information that we previously reported in November 1993 and June 1996. We selectively verified data for specific projects, but did not verify overall database accuracy. However, we have issued a series of reports over the past few years documenting deficiencies in the Department's ability to reliably account for and report on its expenditures.<sup>15</sup>

To address reporting on future funding requirements, we reviewed and analyzed DOD budget reports, submissions, and expenditure data for fiscal years 1995 through 1998.

We documented examples of construction and repair projects costing over \$300,000 that were funded with military construction and operation and maintenance funds to illustrate the difficulty of reporting and projecting future requirements. We relied on the accuracy of DOD and service data in conducting our analysis and selectively verified data in certain reports. We drew upon information we reported in May and June 1997 on DOD's reporting of compliance projects. We held discussions with and obtained information from officials in the Office of the Under Secretary of Defense for Environmental Security and in headquarters and field offices of the Army, the Navy, the Air Force, the Marine Corps, and DLA.

We visited and obtained information on DOD's programming and requirements reporting processes at the following military installations and major commands: Commander in Chief, Pacific Forces, Hawaii; Commander in Chief, Atlantic Fleet, Virginia; Commander in Chief, Pacific Fleet, Hawaii; Naval Facilities Engineering Command, Atlantic Division, Virginia; Naval Facilities Engineering Command, Pacific Division, Hawaii; Marine Forces Pacific, Hawaii; Air Combat Command, Virginia; Pacific Air Forces, Hawaii; Holloman Air Force Base, New Mexico; Marine Corps

---

<sup>15</sup>In DOD Problem Disbursements (GAO/AIMD-97-36R, Feb. 20, 1997), we identified significant errors in DOD expenditure reports.

---

Base, Camp Pendleton, California; Army National Training Center, Fort Irwin, California; Army Training and Doctrine Command, Virginia; Army Forces Command, Georgia; and Army Pacific Command, Hawaii. We discussed environmental compliance issues with officials in EPA Region IX and with officials of the State of Hawaii's Environmental Management Office.

We conducted our review between September 1996 and July 1997 in accordance with generally accepted government auditing standards.

---

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to appropriate congressional committees; the Secretaries of Defense, the Army, the Navy, and the Air Force; the Commandant, Marine Corps; the Director, Defense Logistics Agency; the Environmental Protection Agency; and the Director, Office of Management and Budget. We will also make copies available to others on request.

If you or your staff have any questions concerning this report, please contact me on (202) 512-8412. Major contributors to this report are listed in appendix II.



David R. Warren, Director  
Defense Management Issues



# Comments From the Department of Defense

Note: GAO's comment supplementing those in the report text appear at the end of this appendix.

Now on p. 18.

See comment 1.

  
DEPARTMENT OF DEFENSE  
ACQUISITION AND TECHNOLOGY

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

31 OCT 1997

Mr. David R. Warren  
Director, Defense Management Issues  
National Security and International Affairs Division  
Washington D.C. 20548

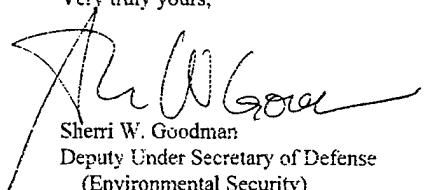
Dear Mr. Warren:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "ENVIRONMENTAL COMPLIANCE: Reporting on DoD Military Construction and Repair Projects Can Be Improved, dated September 3, 1997, (GAO Code 709273/OSD Case 1457)." DoD concurs with the GAO recommendation that: "The Secretary of Defense direct the Deputy Under Secretary of Defense for Environmental Security to revise the DoD annual report to Congress to (1) identify all proposed construction and repair projects over \$300,000 for all services, and (2) include the funding sources for them." The FY 1996 Annual Report to Congress fully identifies projects over \$300,000 including appropriation, pillar, legal requirement and environmental class.

The Department appreciates the GAO's support for the efforts to improve data accuracy and timeliness. The Department concurs with the recommendations for the Secretary of Defense to reconsider the compliance Class definitions so that the data permit better oversight and are more consistent with government wide reporting to Environmental Protection Agency. We did reconsider all DoD Class I and II definitions and while we may need to make minor adjustments in the future, wholesale changes at this time are unnecessary. Although DoD's classification system is based on the EPA system, the EPA classification system is not sufficient to support budget development nor long range financial planning.

Additional details for DoD's position on the recommendations is enclosed. Technical corrections to the draft report were provided separately. Please refer your questions regarding these comments to Mr. Jim Kennedy, ODUSD(ES)/EQ-CM, (703)604-1766, kennedjl@acq.osd.mil Fax: (703)607-4237.

Very truly yours,

  
Sherri W. Goodman  
Deputy Under Secretary of Defense  
(Environmental Security)

Enclosure

 Environmental Security      Defending Our Future

---

**Appendix I**  
**Comments From the Department of Defense**

---

**DoD Comments on GAO Recommendation**

**GAO RECOMMENDATION 1:** The GAO recommended that the Secretary of Defense direct the Deputy Under Secretary of Defense for Environmental Security to revise the DoD annual report to Congress to (1) identify all proposed construction and repair projects over \$300,000 for all services, and (2) include the funding sources for them.

**DoD POSITION:** Concur. The FY 1996 Annual Report to Congress provides the list of projects over \$300,000, including appropriation, pillar, legal requirement and environmental class.

Enclosure 1

---

**Appendix I**  
**Comments From the Department of Defense**

---

The following is GAO's comment on the Department of Defense's (DOD) letter dated October 31, 1997.

---

**GAO Comment**

1. As discussed on page 17 of this report, the focus of our concern is on DOD's ability to prioritize its requirements in a meaningful way and to improve management oversight. We have been monitoring DOD's implementation of revised definitions for multiple requesters.

# Major Contributors to This Report

---

**National Security and  
International Affairs  
Division, Washington,  
D.C.**

Charles I. Patton, Jr.  
Uldis Adamsons  
Elizabeth G. Mead

---

**Kansas City Field  
Office**

James Moores  
Ben Douglas  
Bob Hammons  
Steve Pruitt  
Virgil Schroeder

---

**Office of the General  
Counsel**

Lynn Gibson  
Margaret Armen

---

### **Ordering Information**

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**Orders by mail:**

**U.S. General Accounting Office  
P.O. Box 37050  
Washington, DC 20013**

**or visit:**

**Room 1100  
700 4th St. NW (corner of 4th and G Sts. NW)  
U.S. General Accounting Office  
Washington, DC**

**Orders may also be placed by calling (202) 512-6000  
or by using fax number (202) 512-6061, or TDD (202) 512-2537.**

**Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.**

**For information on how to access GAO reports on the INTERNET,  
send an e-mail message with "info" in the body to:**

**info@www.gao.gov**

**or visit GAO's World Wide Web Home Page at:**

**<http://www.gao.gov>**

United States  
General Accounting Office  
Washington, D.C. 20548-0001

Bulk Rate  
Postage & Fees Paid  
GAO  
Permit No. G100

Official Business  
Penalty for Private Use \$300

Address Correction Requested

